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Form 990-PF

Department of the Treasury
Internal Revenue Service (77)

Return of Private Foundation

or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation

Note. The foundation may be able to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0052

2009

For calendar year 2009, or tax year beginning , 2009, and ending , 20

G Check all that apply: [ ] Initial return [ ] Initial Return of a former public charity [ ] Final return [ ] Amended return [ ] Address change [ ] Name change

Use the IRS label. Otherwise, print or type. See Specific Instructions.

Name of foundation: Grace Hughes Foundation

Number/street (or P O box no if mail is not delivered to street add): 213 Willard — Room/suite:

City or town, state, and ZIP code: Lime Springs IA 52155

A Employer identification number: 20-1635744

B Telephone number (see the instructions): 641-732-3703

C If exemption application is pending, check here ▶ [ ]

D 1 Foreign organizations, check here ▶ [ ]
2 Foreign organizations meeting the 85% test, check here and attach computation ▶ [ ]

E If private foundation status was terminated under section 507(b)(1)(A), check here ▶ [ ]

F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ▶ [ ]

H Check type of organization: [X] Section 501(c)(3) exempt private foundation
[ ] Section 4947(a)(1) nonexempt charitable trust [ ] Other taxable private foundation

I Fair market value of all assets at end of year (from Part II, col (c), line 16) ▶ $ 308,679.

J Accounting method [X] Cash [ ] Accrual [ ] Other (specify)
(Part I, column (d) must be on cash basis)

Part I Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), & (d) may not necessarily equal the amounts in column (a) (see instr))

	Line		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue	1	Contributions, gifts, grants, etc , received (attach schedule)				
	2	Check ▶ [X] if the foundation is **not** required to attach Sch B				
	3	Interest on savings and temp cash investments	2.	2.		
	4	Dividends and interest from securities	9,862.	9,862.		
	5a	Gross rents				
	b	(Net rental income or (loss))				
	6a	Net gain/(loss) from sale of assets not on line 10	(12,050.)			
	b	Gross sales price for all assets on line 6a 97,535.				
	7	Capital gain net income (from Part IV, line 2)		(12,050.)		
	8	Net short-term capital gain				
	9	Income modifications				
	10a	Gross sales less rtns & allowances				
	b	Less Cost of goods sold				
	c	Gross profit or (loss) (attach schedule)				
	11	Other income (attach schedule)				
	12	**Total.** Add lines 1 through 11	(2,186.)	(2,186.)		
Operating and Administrative Expenses	13	Compensation of officers, directors, trustees, etc				
	14	Other employee salaries and wages				
	15	Pension plans, employee benefits				
	16a	Legal fees (attach schedule)				
	b	Accounting fees (attach schedule)	500.	500.	500.	
	c	Other professional fees (attach schedule)				
	17	Interest				
	18	Taxes (attach schedule) (see instructions)				
	19	Depreciation (attach sch) and depletion				
	20	Occupancy				
	21	Travel, conferences, and meetings				
	22	Printing and publications				
	23	Other expenses (attach schedule)				
	24	**Total operating and administrative expenses** Add lines 13 through 23	500.	500.	500.	
	25	Contributions, gifts, grants paid	16,000.			
	26	Total exp & disbursements Add lines 24 and 25	16,500.	500.	500.	
	27	Subtract line 26 from line 12				
	a	**Excess of revenue over expenses and disbursements**	(18,686.)			
	b	**Net investment income** (if neg , enter -0-)				
	c	**Adjusted net income** (if neg , enter -0-)				

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Part II Balance Sheets

	Attached schedules and amounts in the description column should be for end-of-year amounts only (See inst)	Beginning of year (a) Book Value	End of year (b) Book Value	(c) Fair Market Value
Assets	1 Cash - non-interest-bearing	29,536.		
	2 Savings and temporary cash investments			
	3 Accounts receivable ▶			
	Less allowance for doubtful accts ▶			
	4 Pledges receivable ▶			
	Less allowance for doubtful accts ▶			
	5 Grants receivable			
	6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see the instructions)			
	7 Other notes and loans receivable (attach schedule) ▶			
	Less allowance for doubtful accounts ▶			
	8 Inventories for sale or use			
	9 Prepaid expenses and deferred charges			
	10a Investments - U S and state govt obligations (attach schedule)			
	b Investments - corporate stock (attach schedule)	60,488.	60,488.	41,215.
	c Investments - corporate bonds (attach schedule)	240,356.	240,356.	267,464.
	11 Investments - land, buildings, and equipment basis ▶			
	Less accumulated depreciation (attach schedule) ▶			
	12 Investments - mortgage loans			
	13 Investments - other (attach schedule)			
	14 Land, buildings, and equipment basis ▶			
	Less accumulated depreciation (attach schedule) ▶			
	15 Other assets (describe ▶)			
	16 Total assets (to be completed by all filers - see the instructions Also, see page 1, item I)	330,380.	300,844.	308,679.
Liabilities	17 Accounts payable and accrued expenses			
	18 Grants payable			
	19 Deferred revenue			
	20 Loans from officers, directors, trustees, and other disqualified persons			
	21 Mortgages and other notes payable (attach schedule)			
	22 Other liabilities (describe ▶)			
	23 Total liabilities (add lines 17 through 22)			
Net Assets or Fund Balances	Foundations that follow SFAS 117, check here ▶ [X] and complete lines 24 through 26 and lines 30 and 31.			
	24 Unrestricted	330,380.	300,844.	
	25 Temporarily restricted			
	26 Permanently restricted			
	Foundations that do not follow SFAS 117, ck. here ▶ [ ] and complete lines 27 through 31.			
	27 Capital stock, trust principal, or current funds			
	28 Paid-in or capital surplus, or land, bldg , and equipment fund			
	29 Retained earnings, accumulated income, endowment, or other funds			
	30 Total net assets or fund balances (see the instructions)	330,380.	300,844.	
	31 Total liabilities and net assets/fund balances (see the instructions)	330,380.	300,844.	

Part III Analysis of Changes in Net Assets or Fund Balances

1 Total net assets or fund balances at beginning of year - Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return)	1	330,380.
2 Enter amount from Part I, line 27a	2	(18,686.)
3 Other increases not included in line 2 (itemize) ▶	3	
4 Add lines 1, 2, and 3	4	311,694.
5 Decreases not included in line 2 (itemize) ▶ Decrease in market value	5	3,015.
6 Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30	6	308,679.

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Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948 - see the instructions)

1a	Exempt operating foundations described in section 4940(d)(2), check here ▶ ☐ & enter "N/A" on line 1. Date of ruling or determination letter ______ (attach copy of letter if necessary - see instr)		
b	Domestic foundations that meet the section 4940(e) requirements in Part V, check here ▶ ☒ and enter 1% of Part I, line 27b	1	
c	All other domestic foundations enter 2% of line 27b Exempt foreign organizations enter 4% of Part I, line 12, col (b)		
2	Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)	2	0
3	Add lines 1 and 2	3	
4	Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only Others enter -0-)	4	0
5	**Tax based on investment income.** Subtract line 4 from line 3 If zero or less, enter -0-	5	0
6	Credits/Payments		
a	2009 estimated tax payments and 2008 overpayment credited to 2009	6a	
b	Exempt foreign organizations - tax withheld at source	6b	
c	Tax paid with application for extension of time to file (Form 8868)	6c	
d	Backup withholding erroneously withheld	6d	
7	Total credits and payments Add lines 6a through 6d	7	
8	Enter any **penalty** for underpayment of estimated tax Check here ☐ if Form 2220 is attached	8	
9	**Tax due.** If the total of lines 5 and 8 is more than line 7, enter **amount owed** ▶	9	
10	**Overpayment.** If line 7 is more than the total of lines 5 and 8, enter the **amount overpaid** ▶	10	
11	Enter the amount of line 10 to be **Credited to 2010 estimated tax** ▶ **Refunded** ▶	11	

Part VII-A Statements Regarding Activities

			Yes	No
1a	During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?	1a		X
b	Did it spend more than $100 during the year (either directly or indirectly) for political purposes (see the instructions for definition)?	1b		X
	If the answer is "Yes" to **1a** or **1b**, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities			
c	Did the foundation file **Form 1120-POL** for this year?	1c		X
d	Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year (1) On the foundation ▶ $ ______ (2) On foundation managers ▶ $ ______			
e	Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers ▶ $ ______			
2	Has the foundation engaged in any activities that have not previously been reported to the IRS? If "Yes," attach a detailed description of the activities	2		X
3	Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? If "Yes," attach a conformed copy of the changes	3		X
4a	Did the foundation have unrelated business gross income of $1,000 or more during the year?	4a		X
b	If "Yes," has it filed a tax return on **Form 990-T** for this year?	4b		
5	Was there a liquidation, termination, dissolution, or substantial contraction during the year? If "Yes," attach the statement required by General Instruction T	5		X
6	Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	6	X	
7	Did the foundation have at least $5,000 in assets at any time during the year? If "Yes," complete Part II, col (c), and Part XV	7	X	
8a	Enter the states to which the foundation reports or with which it is registered (see the instructions) ▶ ______			
b	If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by General Instruction G? If "No," attach explanation	8b		X
9	Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2009 or the taxable year beginning in 2009 (see instructions for Part XIV in instructions)? If "Yes," complete Part XIV	9		X
10	Did any persons become substantial contributors during the tax year? If "Yes," attach a schedule listing their names and addresses	10		X

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Part VII-A Statements Regarding Activities (continued)

			Yes	No
11	At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see instructions)	11		X
12	Did the foundation acquire a direct or indirect interest in any applicable insurance contract before August 17, 2008?	12		X
13	Did the foundation comply with the public inspection requirements for its annual returns and exemption application?	13	X	

Website address ▶

14 The books are in care of ▶ Larry Gates Telephone no ▶ 563-566-2625

Located at ▶ 213 Willard IA Lime Springs ZIP+4 ▶ 52155

15 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 - Check here ▶ ☐
and enter the amount of tax-exempt interest received or accrued during the year ▶ | 15 |

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.

			Yes	No
1a	During the year did the foundation (either directly or indirectly)			
	(1) Engage in the sale or exchange, or leasing of property with a disqualified person? ☐ Yes ☒ No			
	(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person? ☐ Yes ☒ No			
	(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person? ☐ Yes ☒ No			
	(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person? ☐ Yes ☒ No			
	(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)? ☐ Yes ☒ No			
	(6) Agree to pay money or property to a government official? **Exception.** Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days) ☐ Yes ☒ No			
b	If any answer is "Yes" to 1a(1)-(6), did **any** of the acts fail to qualify under the exceptions described in Regulations section 53 4941(d)-3 or in a current notice regarding disaster assistance (see the instructions)?	1b		
	Organizations relying on a current notice regarding disaster assistance check here ▶ ☐			
c	Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2009?	1c		X
2	Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5))			
a	At the end of tax year 2009, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2009? ☐ Yes ☒ No			
	If "Yes," list the years ▶ 20___, 20___, 20___, 20___			
b	Are there any years listed in 2a for which the foundation is **not** applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to **all** years listed, answer "No" and attach statement - see the instructions)	2b		
c	If the provisions of section 4942(a)(2) are being applied to **any** of the years listed in 2a, list the years here ▶ 20___, 20___, 20___, 20___			
3a	Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year? ☐ Yes ☒ No			
b	If "Yes," did it have excess business holdings in 2009 as a result of **(1)** any purchase by the foundation or disqualified persons after May 26, 1969, **(2)** the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest, or **(3)** the lapse of the 10-, 15-, or 20-year first phase holding period? (Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2009)	3b		
4a	Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a		X
b	Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2009?	4b		X

Form **990-PF** (2009)

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Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required (continued)

5a During the year did the foundation pay or incur any amount to.

(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))? ☐ Yes ☒ No

(2) Influence the outcome of any specific public election (see section 4955), or to carry on, directly or indirectly, any voter registration drive? ☐ Yes ☒ No

(3) Provide a grant to an individual for travel, study, or other similar purposes? ☐ Yes ☒ No

(4) Provide a grant to an organization other than a charitable, etc , organization described in section 509(a)(1), (2), or (3), or section 4940(d)(2)? (see instructions) ☐ Yes ☒ No

(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals? ☐ Yes ☒ No

b If any answer is "Yes" to 5a(1)-(5), did any of the transactions fail to qualify under the exceptions described in Regulations section 53 4945 or in a current notice regarding disaster assistance (see the instructions)? **5b**

Organizations relying on a current notice regarding disaster assistance check here ▶ ☐

c If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant? ☐ Yes ☐ No

If "Yes," attach the statement required by Regulations section 53 4945-5(d)

6a Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ Yes ☒ No

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract? **6b** X

If "Yes" to 6b, file Form 8870

7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction? ☐ Yes ☒ No

b If yes, did the foundation receive any proceeds or have any net income attributable to the transaction? **7b**

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and their compensation (see the instructions).

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Compensation (If not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred comp	(e) Expense account, other allowances
Larry Gates 213 Willard Lime Spring	Bd Member 3	0		
Robert Hughes 828 8th Street East	Bd Member 1	0		
Michelle Bush 22001 35th Street	Bd Member 1	0		

2 Compensation of five highest-paid employees (other than those included on line 1 - see the instructions). If none, enter "NONE."

(a) Name and address of each employee paid more than $50,000	(b) Title, and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
NONE				

Total number of other employees paid over $50,000 ▶

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Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors (continued)

3 Five highest-paid independent contractors for professional services (see the instructions). If none, enter "NONE."

(a) Name and address of each person paid more than $50,000	(b) Type of service	(c) Compensation
NONE		

Total number of others receiving over $50,000 for professional services ▶

Part IX-A Summary of Direct Charitable Activities

List the foundation's four largest direct charitable activities during the tax year Include relevant statistical info such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc	Expenses
1	
2	
3	
4	

Part IX-B Summary of Program-Related Investments (see the instructions)

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2	Amount
1 None	
2	
All other program-related investments See instructions 3	
Total Add lines 1 through 3 ▶	

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Part X Minimum Investment Return (All domestic foundations must complete this part Foreign foundations, see the instructions)

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc , purposes		
a	Average monthly fair market value of securities	1a	
b	Average of monthly cash balances	1b	
c	Fair market value of all other assets (see the instructions)	1c	
d	**Total** (add lines 1a, b, and c)	1d	
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation) 1e		
2	Acquisition indebtedness applicable to line 1 assets	2	
3	Subtract line 2 from line 1d	3	
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see the instructions)	4	
5	**Net value of noncharitable-use assets.** Subtract line 4 from line 3 Enter here and on Part V, line 4	5	
6	**Minimum investment return.** Enter 5% of line 5	6	

Part XI Distributable Amount (see the instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here ▶ ☐ and do not complete this part)

1	Minimum investment return from Part X, line 6	1	
2 a	Tax on investment income for 2009 from Part VI, line 5 2a		
b	Income tax for 2009. (This does not include the tax from Part VI) 2b		
c	Add lines 2a and 2b	2c	
3	Distributable amount before adjustments Subtract line 2c from line 1	3	
4	Recoveries of amounts treated as qualifying distributions	4	
5	Add lines 3 and 4	5	
6	Deduction from distributable amount (see the instructions)	6	
7	**Distributable amount** as adjusted Subtract line 6 from line 5 Enter here and on Part XIII, line 1	7	

Part XII Qualifying Distributions (see the instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc , purposes		
a	Expenses, contributions, gifts, etc -total from Part I, column (d), line 26	1a	16,500.
b	Program-related investments-total from Part IX-B	1b	
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc , purposes	2	
3	Amounts set aside for specific charitable projects that satisfy the		
a	Suitability test (prior IRS approval required)	3a	
b	Cash distribution test (attach the required schedule)	3b	
4	**Qualifying distributions.** Add lines 1a through 3b Enter here and on Part V, line 8, and Part XIII, line 4	4	16,500.
5	Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income Enter 1% of Part I, line 27b (see the instructions)	5	
6	**Adjusted qualifying distributions.** Subtract line 5 from line 4	6	16,500.

Note: The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years

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Part XIII Undistributed Income (see the instructions)

	(a) Corpus	(b) Years prior to 2008	(c) 2008	(d) 2009
1 Distributable amount for 2009 from Part XI, line 7				
2 Undistributed income, if any, as of the end of 2009				
a Enter amount for 2008 only				
b Total for prior yrs 20___, 20___, 20___				
3 Excess distribs carryover, if any, to 2009				
a From 2004				
b From 2005				
c From 2006				
d From 2007				
e From 2008				
f Total of lines 3a through e				
4 Qualifying distributions for 2009 from Part XII, line 4 ▶ $ 16,500.				
a Applied to 2008, but not more than line 2a				
b Applied to undistributed income of prior years (Election required - see the instr)				
c Treated as distributions out of corpus (Election required - see the instructions)				
d Applied to 2009 distributable amount				
e Remaining amt distributed out of corpus	16,500.			
5 Excess distribs carryover applied to 2009 (If an amount appears in column (d), the same amount must be shown in col (a))				
6 **Enter the net total of each column as indicated below:**				
a Corpus Add lines 3f, 4c, & 4e Subtract line 5	16,500.			
b Prior years' undistributed income Subtract line 4b from line 2b				
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed				
d Subtract line 6c from line 6b Taxable amount - see the instructions				
e Undistributed income for 2008 Subtract line 4a from line 2a Taxable amount - see the instructions				
f Undistributed income for 2009 Subtract lines 4d and 5 from line 1 This amount must be distributed in 2010				
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (see the instructions)				
8 Excess distributions carryover from 2004 not applied on line 5 or line 7 (see the instructions)				
9 **Excess distributions carryover to 2010.** Subtract lines 7 and 8 from line 6a	16,500.			
10 Analysis of line 9				
a Excess from 2005				
b Excess from 2006				
c Excess from 2007				
d Excess from 2008				
e Excess from 2009 16,500.				

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Part XIV Private Operating Foundations (see the instructions and Part VII-A, question 9)

1a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2009, enter the date of the ruling ▶

b Check box to indicate whether the foundation is a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5)

	Tax year	Prior 3 years			
	(a) 2009	(b) 2008	(c) 2007	(d) 2006	(e) Total
2a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
b 85% of line 2a					
c Qualifying distributions from Part XII, line 4 for each year listed					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities Subtract line 2d from line 2c					
3 Complete 3a, b, or c for the alternative test relied upon					
a "Assets" alternative test - enter (1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test - enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed					
c "Support" alternative test - enter (1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

Part XV Supplementary Information (Complete this part only if the foundation had $5,000 or more in assets at any time during the year - see the instructions.)

1 **Information Regarding Foundation Managers:**

a List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than $5,000) (See section 507(d)(2))

None

b List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest

None

2 **Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:**

Check here ▶ ☐ if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds If the foundation makes gifts, grants, etc (see the instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d

a The name, address, and telephone number of the person to whom applications should be addressed

Larry Gates 563-566-2625 213 Willard LIME SPRINGS IA 52155-

b The form in which applications should be submitted and information and materials they should include

contact Larry Gates above for forms

c Any submission deadlines

December 31 of each year

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors

Lime Springs, Iowa area

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Part XV Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment

Recipient Name and address (home or business)	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
a Paid during the year				
Lime Spr 52155-		Exempt	Maintenance	2,000.
Spring A 52155		Exempt	Education	950.
United M 131 E Ma 52155		501c3	Religious	2,600.
Lidtke M 414 Fore 52155		Exempt	Maintenance	2,500.
Dr Rober Californ		501c3	Religious	300.
Dollars Crestwoo 52136		501c3	Educational	1,000.
Lime Spr 111 E Ja 52155		Nonpro	Recreational	250.
Lime Spr PO Box 2 52155		501c3	Social Club	1,000.
Browns P PO Box 2 52155		Nonpro	Recreational	500.
Lime Spr 120 West 52155		Exempt	Educational	4,400.
Wisdom W 120 West 52155		Nonpro	Health Care	500.
Total ▶ 3a				16,000.
b Approved for future payment				
Total ▶ 3b				

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Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated	Unrelated business income		Excluded by section 512, 513, or 514		(e)
	(a) Business code	(b) Amount	(c) Excl code	(d) Amount	Related or exempt function income (See the instructions)
1 Program service revenue					
a					
b					
c					
d					
e					
f					
g Fees and contracts from government agencies					
2 Membership dues and assessments					
3 Interest on savings and temporary cash investments			14	2.	
4 Dividends and interest from securities			14	9,862.	
5 Net rental income or (loss) from real estate					
a Debt-financed property					
b Not debt-financed property					
6 Net rental inc or (loss) from personal property					
7 Other investment income					
8 Gain or (loss) from sales of assets other than inventory		(12,050.)			
9 Net income or (loss) from special events					
10 Gross profit or (loss) from sales of inventory					
11 Other revenue a					
b					
c					
d					
e					
12 Subtotal Add columns (b), (d), and (e)		(12,050.)		9,864.	

13 **Total.** Add line 12, columns (b), (d), and (e) 13 (2,186.)

(See worksheet in line 13 instructions to verify calculations.)

Part XVI-B Relationship of Activities to the Accomplishment of Exempt Purposes

Line No. ▼	Explain below how each activity for which income is reported in column (e) of Part XVI-A contributed importantly to the accomplishment of the foundation's exempt purposes (other than by providing funds for such purposes) (See the instructions)
3	Will be used for scholarships & grants in 2008-2009 academic year
4	Will be used for scholarships & grants in 2008-2009 academic year
11a	Will be used for scholarships & grants in 2008-2009 academic year

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Part XVII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

			Yes	No
1	Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?			
a	Transfers from the reporting foundation to a noncharitable exempt organization of			
	(1) Cash	1a(1)		X
	(2) Other assets	1a(2)		X
b	Other transactions			
	(1) Sales of assets to a noncharitable exempt organization	1b(1)		X
	(2) Purchases of assets from a noncharitable exempt organization	1b(2)		X
	(3) Rental of facilities, equipment, or other assets	1b(3)		X
	(4) Reimbursement arrangements	1b(4)		X
	(5) Loans or loan guarantees	1b(5)		X
	(6) Performance of services or membership or fundraising solicitations	1b(6)		X
c	Sharing of facilities, equipment, mailing lists, other assets, or paid employees	1c		X

d If the answer to any of the above is "Yes," complete the following schedule Column **(b)** should always show the fair market value of the goods, other assets, or services given by the reporting foundation If the foundation received less than fair market value in any transaction or sharing arrangement, show in column **(d)** the value of the goods, other assets, or services received

(a) Line no	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Desc of transfers, transactions, and sharing arrangements

2a Is the foundation directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? ☐ Yes ☒ No

b If "Yes," complete the following schedule

(a) Name of organization	(b) Type of organization	(c) Description of relationship

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than taxpayer or fiduciary) is based on all information of which preparer has any knowledge

Larry Gates — 05/22/2010 — Larry Gates Trustee

Signature of officer or trustee — Date — Title

Paid Preparer's Use Only

Preparer's signature B. C. McP	Date 05/15/2010	Check if self-employed ▶ ☒	Preparer's ID number (see **Signature** in the instructions) P00142011
Firm's name (or yours if self-employed), address, and ZIP code	Gross & McPhail 631 Main Street OSAGE IA 50461-	EIN ▶ 42-6157203 Phone no 641-732-3703	

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US 990 Investments: Corporate Stock as of Year End 2009

Description	Book value	FMV
Various Ameriprise Financial Investments	60,488.	41,215.
	60,488.	41,215.

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20-1635744

US 990 Investments: Corporate Bonds as of Year End 2009

Description	Book value	FMV
Various Ameriprise Financial Investments	240,356.	267,464.
	240,356.	267,464.

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20-1635744

US 990 **Accounting Fees** **2009**

Description	Expenses per books	Net investment income	Adjusted net income	Charitable purposes
Gross & McPhail tax return prep	500.			
	500.			

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20-1635744

US 990	Other Decreases	2009

Description	Amount
Decrease in market value of assets	3,015.
	3,015.

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Gain or Loss from Sales of Assets Other than Inventory

US 990-PF/EZ — **990-EZ: Page 1, Line 5; 990PF: Page 12, Line 8** — **2009**

Description	Capital Gain Distributions Mutual Funds
Date acquired	01/2009
How acquired	Purchase
Date sold	12/2009
Purchaser name	Market Sales
Sales price	1,369.
Basis method	Cost
Basis	
Selling expense	
Accumulated depreciation	

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Gain or Loss from Sales of Assets Other than Inventory

US 990-PF/EZ | **990-EZ: Page 1, Line 5; 990PF: Page 12, Line 8** | **2009**

Description	Various Funds/Bonds (see attached Ameriprise doc)
Date acquired	01/2009
How acquired	Purchase/Investment
Date sold	12/2009
Purchaser name	Market Sales
Sales price	96,166.
Basis method	Cost
Basis	109,585.
Selling expense	
Accumulated depreciation	

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Ameriprise Financial

AMERICAN ENTERPRISE INVESTMENT SERVICES INC.
10 Ameriprise Financial Center
Minneapolis, MN 55474-9900
Federal Identification No: 41-1667086

Statement Date: 01/27/10
Taxpayer ID: 20-1635744
Account No: 66084963

2009 Tax Information Statement For The Account Of:
GRACE HUGHES FOUNDATION
213 WILLARD ST
LIME SPRING, IA 52155-8002

2009 1099-DIV* Dividends and Distributions (OMB No. 1545-0110)

Box	Description	Amount
1a	Total Ordinary Dividends (Includes 1b)	9,862.29
1b	Qualified Dividends	1,115.04
2a	Total Capital Gain Distr. (Includes 2b,2c,2d)	1,369.14
2b	Unrecaptured Sec. 1250 Gain	0.00
2c	Section 1202 Gain	0.00
2d	Collectibles(28%) Gain	0.00
3	Nondividend Distributions	0.00
4	**Federal Income Tax Withheld**	0.00
5	Investment Expenses	0.00
6	Foreign Tax Paid	0.00
7	Foreign Country or U.S. Possession	
8	Cash Liquidation Distributions	0.00
9	Noncash Liquidation Distributions	0.00

2009 1099-B* Regulated Futures Contract (OMB NO. 1545-0715)

Box	Description	Amount
8	Profit(Loss) Realized in 2009	0.00
9	Unrealized Profit(Loss)-Open Contracts 12/31/08	0.00
10	Unrealized Profit(Loss)-Open Contracts 12/31/09	0.00
11	Aggregate Profit(Loss)	0.00

2009 Summary of Gross Proceeds Transactions

Report each sale individually (Details on following pages)

Box	Description	Amount
2	Gross Proceeds Less Commissions	96,166.36
4	**Federal Income Tax Withheld**	0.00

2009 1099-INT* Interest Income (OMB No. 1545-0112)

Box	Description	Amount
1	Interest Income (Not Included in Box 3)	1.80
2	Early Withdrawal Penalty	0.00
3	Interest on U.S. Savings Bonds and Treas. Obligations	0.00
4	**Federal Income Tax Withheld**	0.00
5	Investment Expenses	0.00
6	Foreign Tax Paid	0.00
7	Foreign Country or U.S. Possession	
8	Tax-Exempt Interest (Includes Box 9)	0.00
9	Specified Private Activity Bond Interest (AMT)	0.00

Boxes 8 and 9 include tax-exempt interest, tax-exempt dividends and tax-exempt original issue discount

2009 1099-MISC* Miscellaneous Income (OMB No. 1545-0115)

Box	Description	Amount
2	Royalties	0.00
3	Other Income	0.00
4	**Federal Income Tax Withheld**	0.00
8	Substitute Payments in Lieu of Dividends or Interest	0.00

2009 Summary of Original Issue Discount

Report OID for each investment separately (Details on following pages)

Box	Description	Amount
1	Original Issue Discount for 2009	0.00
2	Other Periodic Interest	0.00
4	**Federal Income Tax Withheld**	0.00
6	Original Issue Discount on U.S. Treasury Obligations	0.00
7	Investment Expenses	0.00

***This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.**
Changes to dividend tax classifications processed after your original tax form is issued for 2009 may require an amended form 1099.

Customer Service: Phone - 800-862-7919

AMERICAN ENTERPRISE INVESTMENT SERVICES INC. Account No: 56084963 2009 Tax Information Statement

2009

Realized Capital Gains/Losses

CUSIP/Security Description Quantity	Date Acquired	Date Sold	Sale Proceeds	Original Cost Basis	Adj/Avg Cost Basis	Gain/Loss Orig. Cost	Gain/Loss Adj/Avg Cost
SHORT TERM GAIN LOSS							
00078H315/ASTON OPT M/CAP - N ASTON FUNDS							
(18.62)	N/A	10/26/09	448.00	0.00	278.37	0.00	169.63
02507M758/AM CENT L/S MKT NTRL - A AMERICAN CENTURY INVEST							
(1077.44)	N/A	04/01/09	10,839.00	0.00	11,708.59	0.00	(869.59)
38142B476/GLD SHORT DUR GOVT - A GOLDMAN SACHS ASSET MGMT							
(897.49)	N/A	04/01/09	9,298.00	0.00	9,031.52	0.00	266.48
768913105/RVS CASH MANAGEMENT - A RIVERSOURCE MUTUAL FUNDS							
(21791.00)	N/A	04/01/09	21,791.00	0.00	21,791.00	0.00	0.00
768914723/RVS ABSLT RTN CUR&INC - A RIVERSOURCE MUTUAL FUNDS							
(622.65)	N/A	04/01/09	6,102.00	0.00	6,036.22	0.00	65.78
SUBTOTAL SHORT TERM GAIN LOSS			48,478.00	0.00	48,845.70	0.00	(367.70)
LONG TERM GAIN LOSS							
00141T254/AIM TRIMARK SMALL CO - A INVESCO AIM FUNDS							
(49.88)	N/A	10/26/09	625.00	0.00	453.64	0.00	171.36
02507M758/AM CENT L/S MKT NTRL - A AMERICAN CENTURY INVEST							
(1664.88)	N/A	10/26/09	16,432.36	0.00	18,092.40	0.00	(1,660.04)
093001402/W BLAIR INTL GROWTH - N WILLIAM BLAIR MUTUAL FUNDS							
(328.93)	N/A	04/01/09	4,036.00	0.00	9,130.34	0.00	(5,094.34)
38141W653/GLD HIGH YIELD - A GOLDMAN SACHS ASSET MGMT							
(250.44)	N/A	10/26/09	1,713.00	0.00	1,595.71	0.00	117.29
74762R830/QUANT FOREIGN VALUE ORD QUANT FUNDS							
(565.35)	N/A	04/01/09	4,014.00	0.00	7,870.58	0.00	(3,856.58)

AMERICAN ENTERPRISE INVESTMENT SERVICES INC. Account No: 66084963 2009 Tax Information Statement

2009

Realized Capital Gains/Losses (continued)

CUSIP/Security Description Quantity	Date Acquired	Date Sold	Sale Proceeds	Original Cost Basis	Adj/Avg Cost Basis	Gain/Loss Orig. Cost	Gain/Loss Adj/Avg Cost
LONG TERM GAIN LOSS							
74762R830/QUANT FOREIGN VALUE ORD QUANT FUNDS(Con't)							
(60.72)	N/A	10/26/09	739.00	0.00	1,346.90	0.00	(607.90)
SECURITY TOTAL:			4,753.00	0.00	9,217.48	0.00	(4,464.48)
768914723/RVS ABSLT RTN CUR&INC - A RIVERSOURCE MUTUAL FUNDS							
(294.75)	N/A	10/26/09	2,921.00	0.00	2,857.44	0.00	63 56
76931K877/RVS FLOATING RATE - A RIVERSOURCE MUTUAL FUNDS *FLOATING RATE*							
(280.77)	N/A	10/26/09	2,336.00	0.00	2,700.19	0.00	(364.19)
76931L834/RVS INC BLDR MOD INC - A RIVERSOURCE MUTUAL FUNDS							
(444.37)	N/A	04/01/09	3,470.00	0.00	4,371.17	0.00	(901.17)
(1216.86)	N/A	10/26/09	11,402.00	0.00	12,321.23	0.00	(919.23)
SECURITY TOTAL:			14,872.00	0.00	16,692.40	0.00	(1,820.40)
SUBTOTAL LONG TERM GAIN LOSS			47,688.36	0.00	60,739.60	0.00	(13,051.24)
GRAND TOTAL GAIN/LOSS			96,166.36	0.00	109,585.30	0.00	(13,418.94)

Form 8868 (Rev April 2009) Department of the Treasury Internal Revenue Service

Application for Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return.

OMB No 1545-1709

- If you are filing for an **Automatic 3-Month Extension, complete only Part I** and check this box ▶ [X]
- If you are filing for an **Additional (Not Automatic) 3-Month Extension, complete only Part II** (on page 2 of this form)

Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868

Part I **Automatic 3-Month Extension of Time.** Only submit original (no copies needed)

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only ▶ [ ]

All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns

Electronic Filing (e-file). Generally, you can electronically file Form 8868 if you want a 3-month automatic extension of time to file one of the returns noted below (6 months for a corporation required to file Form 990-T) However, you cannot file Form 8868 electronically if (1) you want the additional (not automatic) 3-month extension or (2) you file Forms 990-BL, 6069, or 8870, group returns, or a composite or consolidated Form 990-T Instead, you must submit the fully completed and signed page 2 (Part II) of Form 8868 For more details on the electronic filing of this form, visit www irs gov/efile and click on e-file for Charities & Nonprofits

Type or print File by the due date for filing your return See instructions	Name of Exempt Organization: Grace Hughes Foundation	**Employer identification number** 20-1635744
	Number, street, and room or suite no If a P O box, see instructions: 213 Willard	
	City, town or post office, state, and ZIP code For a foreign address, see instructions: Lime Springs IA 52155	

Check type of return to be filed (file a separate application for each return)

[ ] Form 990	[ ] Form 990-T (corporation)	[ ] Form 4720
[ ] Form 990-BL	[ ] Form 990-T (sec 401(a) or 408(a) trust)	[ ] Form 5227
[ ] Form 990-EZ	[ ] Form 990-T (trust other than above)	[ ] Form 6069
[X] Form 990-PF	[ ] Form 1041-A	[ ] Form 8870

- The books are in the care of ▶ Larry Gates
  Telephone No ▶ 563-566-2625 FAX No ▶
- If the organization does not have an office or place of business in the United States, check this box ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) ______ If this is for the whole group, check this box ▶ [ ]. If it is for part of the group, check this box ▶ [ ] and attach a list with the names and EINs of all members the extension will cover

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until AUG 15 , 20 10 , to file the exempt organization return for the organization named above The extension is for the organization's return for
▶ [X] calendar year 2009 or
▶ [ ] tax year beginning ______ , 20 ___ , and ending ______ , 20 ___

2 If this tax year is for less than 12 months, check reason [ ] Initial return [ ] Final return [ ] Change in accounting period

3a	If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions	3a	$
b	If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made Include any prior year overpayment allowed as a credit	3b	$
c	**Balance Due.** Subtract line 3b from line 3a Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions	3c	$

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions

For Privacy Act and Paperwork Reduction Act Notice, see Instructions. Form **8868** (Rev 4-2009)

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